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NEWS UPDATE - February 7, 2001

SUMMARY

In the News…

- *TAXES:* The Wall Street Journal reports that while Bush has been pushing out example families to illustrate the supposed fairness of his tax package, he is attempting to hide the fact that most of the benefits go to the very rich. The story goes on to note that Bush, "Vice President Cheney and up to 14 cabinet members own estates that could benefit" from his tax cut proposal.
- *TAXES:* The Washington Post reports that Treasury Secretary and former corporate "chieftan" Paul O'Neill is lashing out at Bush Administration critics who point out concrete proof that his tax plan gives most benefits to the wealthy. The article notes that, "O'Neill, who made $59 million in salary and stock options last year as chairman of Alcoa, Inc. acknowledged the problem of the growing gap between rich and poor, although twice declined to say what he would have government do about it."
- *TAXES:* The Washington Post reports that "lobbyists representing dozens of companies and industries vowed to press for changes" in Bush's tax plan "that would give corporate America a bigger share of the pie."
- *ENERGY:* The Hill reports that the GOP is preparing to use the ongoing need for energy reform legislation to ram through a bill laden with "corporate handouts."
- *ENERGY:* The Christian Science Monitor reports that the Bush energy plan is simple: "return to oilfields." As the article states, "His plan shifts Uncle Sam's energy emphasis - from protecting land to encouraging exploration for fossil fuels."
- *PEACETIME MILITARY BUILDUP:* The AP reports that the Defense Department is urging the military to "press on" in efforts to create a costly and untested missile defense program.
- *TRADE:* CongressDaily reports that the Senate unanimously confirmed free trade champion Robert Zoellick as U.S. Trade Representative. The story says ironically that beyond his mere zealous beliefs that environmental, labor and human rights should have nothing to do with trade policy, there was "no questioning of Zoellick's qualifications to be the top trade negotiator."

From the Editorial Pages…

- *MAUREEN DOWD* chastises Bush for his efforts to hide the simple fact that his tax plan benefits the very wealthy. "I seem to recall President Bush vowing to restore integrity and honesty to Washington," she writes. "Then shouldn't his photo ops this week have been a whole lot different?"
- *LOS ANGELES TIMES* editorial board hammers Republicans for unilaterally pushing the United States into a national missile defense system without support from our allies.
- *MOLLY IVINS*, who covered Bush while in Texas, warns that with Bush, "what you see is not what you get," and that he has no qualms about blatantly hiding his corporate agenda

Quotes of the Day…

"I think it is really corrosive to have this argument about the rich and the poor."

– *Treasury Secretary Paul O'Neill, who made $59 million last year alone, attacking critics of the Bush tax plan for pointing out that the plan gives most tax relief to the wealthiest Americans*

"Texans know the eternal Bush photo op of the man posing yet again with small children of minority persuasion is always stepped up just before he does something awful. Like trying to knock 200,000 poor kids off a federal medical insurance program. This is compassionate conservatism."

- Texas columnist Molly Ivins, warning Democrats to take heed of Bush's masked opportunism

In the News on February 7, 2001

Affluent Tax-Payers Would Gain Most From Bush's Tax-Cut Plan

Wall Street Journal

WASHINGTON -- When President Bush launched his public-relations campaign to sell his $1.6 trillion tax cut this week, he gathered a group of middle-class families at the White House and talked of how much they would gain from his plan -- $1,100 a year for one couple he introduced, Paul and Debbie Peterson. Asked who was there to represent those in the top tax bracket, Mr. Bush replied to laughter: "Well, I beg your pardon. I'm representing [them]. I got a little pay raise coming to Washington from Austin."

Here is what the president didn't say: If his full income-tax cut had been in place in 1999, the most recent year for which he has released his tax returns, he and Laura Bush could have gotten a break 20 to 60 times that of the Petersons. Vice President Cheney and his wife, Lynne, meanwhile, could have gotten a break in 1999 of more than a quarter of a million dollars.

"The family that makes $40,000 to $50,000 pays relatively little income taxes because of exemptions and deductions and all that, and so doesn't get a big cut," said Sheldon Cohen, a tax lawyer and former commissioner of the Internal Revenue Service, who, along with Washington-area accountant Beverly Potter, calculated the potential tax savings of Messrs. Bush and Cheney at the request of The Wall Street Journal. "The Washington lawyers, the executives who make $1 million or more, are going to get the big cuts," he added.

That contrast -- between how the tax plan affects the Bushes and Cheneys and the Petersons -- highlights a big challenge the new president faces as he attempts to sell his tax cut and, more broadly, his "compassionate conservative" agenda to Congress and the American public. From tax cuts to school vouchers to privatizing Social Security, Mr. Bush emphasizes potential benefits to lower-income and middle-class families. But critics say those policies happen to benefit more conventional conservative constituencies such as the affluent -- perhaps far more than the middle-class families put on display at the rallies.

Having all but conceded to Mr. Bush the need for a big tax cut this year, Democrats are now focusing their attacks on the relative benefits between the rich and everybody else in his plan. "If you make over $300,000 a year, this tax cut means you get to buy a new Lexus," Senate Minority Leader Tom Daschle of South Dakota asserted earlier this week. "If you make $50,000 a year, you get to buy a muffler on your used car -- that's the difference."

Polls show Americans mixed on the desirability of tax cuts for all families, including those at the top of the pay scale. In a Wall Street Journal/NBC survey last month, 46% favored an income-tax cut "for all taxpayers," while 44% said the "better approach" was "targeted tax cuts to help some people pay for specific needs."

Even some Republican lawmakers acknowledge that the tax breaks for the richest families may have to be scaled back in order to win congressional approval. "We might have to be flexible in that regard if we want to get bipartisan support," says Maine GOP Sen. Olympia Snowe. She floats the idea of reducing the full cut in the upper-income bracket. Mr. Bush wants to drop that to 33% from 39.6%; she suggests 37% to make sure the cuts "go to who needs it the most."

As it is currently crafted, the Bush plan does include important breaks for many lower- and middle-income families. Mr. Bush says that a family of four will get, on average, a $1,600 annual cut. For married couples, the first $12,000 of income would be taxed at 10%, down from the current 15%. The credit for children would be doubled to $1,000 from $500.

Packaged in a certain way, the tax plan looks like it helps lower-income families more than top earners. Bush economists say the tax plan would increase the share of total income taxes paid by the top earners. And as a percentage of their income taxes paid, lower-income Americans do get the steepest cuts. Families making $40,000 or less would see a reduction in their income-tax bill of 20% to as much 100%, according to materials distributed by Mr. Bush during the campaign. Those earning more than $200,000 would get less than 10%.

For example, the $1,100 savings for the Petersons would wipe out their income-tax liability -- a "100% cut in their income taxes," Mr. Bush said. The Bushes -- who made substantial money in 1999 not just on salary but also on interest and other investment income -- would save somewhere between $20,000 and $60,000, according to Mr. Cohen and Ms. Potter. But that would still leave them with a tax bill of around $400,000.

"I’m going to give one person back everything that they paid in overpayment; and I’m giving the president back 10% of what he paid in," Lawrence Lindsey, head of the White House National Economic Council, said in an interview this week, describing the deal as less favorable to someone of Mr. Bush’s financial assets . "If anything ... he’d be the one to complain."

But the tilt of Mr. Bush’s tax cut is skewed more toward the rich by his proposal to repeal the estate tax, which imposes a levy as high as 55% on estates owned by couples worth more than $1.35 million today and $2 million in 2006.
The president didn’t mention that plank Monday when talking about the benefits to the families in attendance.

Financial-disclosure forms he filed during the campaign suggest that, if his estate remains at least at its current value when he dies, his heirs could save between $6 million and $12 million from the proposed repeal. Mr. Cheney’s forms suggest a savings to his heirs of between $10 million to $45 million.

Only about 2% of all estates in the country face the estate tax and thus would benefit from repeal. But financial-disclosure forms suggest that, in addition to Messrs. Bush and Cheney, as many as 14 of their 17 cabinet members may be wealthy enough to gain from eliminating the tax.

In defending the distributional impact of estate-tax repeal, Mr. Lindsey reverted from compassion to conservatism. "This is America, and you assume that if you earn the money, and you earn it legally, that it’s your money," he says. If a cabinet member "goes to a casino ... and loses it, he has no death tax. If he saves the money and tries to pass it on to his children, half of it is taken away from him," Mr. Lindsey said. "I want to hear the logic on why that’s good."

Close to Home

Under current law, the largest estates -- worth $1 million for single people and $2 million for couples in 2006 -- are subject to an estate tax. President Bush has proposed repeal. He, Vice President Cheney and up to 14 cabinet members own estates that could benefit from the proposal, according to their range of assets reported on financial disclosure forms.

	POSITION	**ASSETS**
George W. Bush	President	$11 - $21.6 million
Dick Cheney	Vice President	$19.3 - $81.7 million
John Ashcroft	Attorney General	$1.1 - $3.3 million
Elaine Chao	Labor	$2.3 - $5.4 million
Mitchell Daniels	Budget	$18 - $75.3 million
Donald Evans	Commerce	$11.4 - $45.1 million
Mel Martinez	Housing, Urban Development	$1.6 - $4 million
Paul O’Neill	Treasury	$62.8 - $103.3 million
Roderick Paige	Education	$1.1 - $2.9 million
Colin Powell	State	$19.5 - $68.9 million
Anthony Principi	Veterans Affairs	$1.6 - $3.6 million
Donald Rumsfeld	Defense	$61 - $242.5 million
Tommy Thompson	Health, Human Services	$1.3 - $3.4 million
Ann Veneman	Agriculture	$680,000 - $2 million
Christine Whitman	Environment	$6.4 - $20.2 million
Robert Zoellick	Trade	$3.3 - $13 million

On the Class Warpath

Washington Post

It’s the morning after President Bush kicked off his campaign for a $1.6 trillion tax cut, and a frustrated Treasury secretary makes it clear that he’s already had enough of the Washington game.

As he sees it, the opposition -- the Democrats, the liberal interest groups and, yes, the press -- are up to their old tricks, portraying the new Republican administration as selfish plutocrats out to line the pockets of the rich at the expense of the poor.

Paul H. O'Neill wants more than simply to win this debate. He's determined, in the process, to change the rules of the game.

"I don't believe this society should still be operating with a robber-baron premise as the basis for how we discuss public policy," O'Neill said yesterday. "I think it is really corrosive to have this argument about the rich and the poor. It's not worthy of where we are in our development as a country."

O'Neill delivered his broadside with the authority of a former corporate chieftain widely credited with turning a failing aluminum company into a global powerhouse. Never mind, he said, that the federal income tax would be slightly more progressive after the Bush cuts than before. And never mind that a typical family of four with income under $35,000 would pay no income tax and that $32 billion in tax credits would continue to flow every year to working families as income supplements. Still, he said, Democrats and their allies in Washington can't resist playing to the populist instinct "to get those rich, dirty SOBs and the way we're going to do it is to tax them."

Later in the day, Democrats and other critics of the Bush proposal rejected O'Neill's characterization of their motives and their tactics.

"We have never used words like robber barons, and we never called rich people SOBs," said Robert Greenstein, executive director of the Center on Budget and Policy Priorities, a liberal advocacy group. "You have to allow a conversation about who would get the benefits of various tax-cut proposals without being accused of waging class warfare."

Senate Minority Leader Thomas A. Daschle (D-S.D.) expressed disappointment at O'Neill's charges, claiming that it is the administration that is playing fast and lose with the facts. He said the debate over who gets what tax breaks must be seen in the context of an economy where the richest 1 percent of households have seen their income double over the past two decades while those in the bottom 20 percent have seen their incomes decline.

"Closing that disparity with some understanding of the need for better balance is all that we're talking about," said Daschle, who on Monday ridiculed the Bush tax plan for offering the rich a new Lexus while giving working families enough to buy a new muffler for the used car. "I don't consider that class warfare."

O'Neill, who made $59 million in salary and stock options last year as chairman of Alcoa Inc., acknowledged the problem of the growing gap between rich and poor, although he twice declined to say what he would have government do about it. Nonetheless, he was quick to reject what he perceived as the unstated but clearly implied view of many Democrats that the tax code should be used to "level the field and say that everyone should have the same amount of income."

"I think we've demonstrated as a people that we don't think some form of socialism is the way to run a society," he said. O'Neill also made it clear that he intends to wage a campaign against the corporate income tax, which he considers another goofy idea that derives from the old robber-baron mentality. Corporations simply pass the tax on to consumers in the form of higher prices, O'Neill argued. And to make matters worse, he said, the tax led to the creation of a small but well-paid army of lobbyists and tax accountants whose unceasing efforts to create and exploit loopholes distorts corporate decision-making and serves as a drag on economic growth and efficiency.

As someone who spent more than a decade in Washington, including several years at the White House Office of Management and Budget, O'Neill displays a surprising -- some would say refreshing -- impatience with the ways of government.

With the economy threatening to tip into recession and Republicans and Democrats agreed on some form of middle-class tax cut, the Treasury secretary also expressed impatience with the likelihood that a cut may take six or eight months to be passed by Congress.

"It's just annoying to me that people have all these damned excuses," said O'Neill, noting that in the corporate world, something like that would be taken care of in a matter of weeks.

O'Neill seems equally determined to change the nature of the dialogue on international economic issues.

In an hour-long interview, he was unsparing in his criticism of the International Monetary Fund for failing to act more aggressively to head off financial crises in developing countries, and he suggested that he was leaning toward making the IMF more outspoken in flagging problems with countries' economic policies.

Blasting the IMF-led bailout of Russia in July 1998, which ended disastrously a month later when Moscow devalued the ruble and defaulted on its debts, O'Neill said: "Most observers would say what happened in Russia was foretold. It was not a surprise. Have you ever tried to do business in Russia? Ever try to write an enforceable contract? . . . It doesn't take a genius to figure out it's not a great place to put capital."

Even in thriving Asian economies, where IMF, World Bank and Clinton administration officials were shocked by the suddenness with which financial panics struck in late 1997, the warning signs should have been easier to read, O'Neill said. "Was Indonesia a surprise? You think they didn't have internal structural problems?"

There is no contradiction, O'Neill said, between his disapproval of how Russia and Indonesia were handled and the praise he has heaped on the 1995 rescue of Mexico.

"What I liked about it is that it worked," he said of the $50 billion loan package marshaled for Mexico by the Clinton administration and the IMF. "We gave them money, it stabilized their situation, and they paid back the money ahead of schedule. I like success. I'm not a real fan of even well-meaning failure."

While he conceded that Mexico has had corruption problems like Russia and Indonesia, "it's getting a lot better," he said.

Pressed on how he would like to see financial crises handled differently, O'Neill cited the example of Argentina, which was hit by a major exodus of foreign capital late last year.

IMF officials quietly urged Argentine officials to tackle their economic weaknesses. O'Neill suggested that he might favor proposals for the IMF to express its concerns more publicly, thereby pressuring countries' authorities to act. The IMF has resisted such proposals on the grounds that public criticism might trigger a outflow of capital, creating crises that wouldn't otherwise happen. But, O'Neill said, "I think the world would be better off if we were able to tell each other the truth more frequently than it seems convenient to do now."

Reminded that he was now operating in Washington, O'Neill replied sharply: "So what? Isn't it really time that we changed some of these conventions? I think it is. It's time we rethought how we do stuff in this town."

Business Vows to Seek Its Share of Tax Relief

Washington Post

Even as business leaders rallied behind President Bush's tax cut plan, lobbyists representing dozens of companies and industries vowed yesterday to press for changes that would give corporate America a bigger share of the pie.

The outlines of a possible clash over taxes between the new Republican administration and the business community that invested heavily in GOP victories last fall emerged as the president prepared to send his tax plan to Congress on Thursday.

Although details are still sketchy, the Bush plan would reduce taxes by $1.6 trillion over 10 years, with the great majority of the cuts coming from across-the-board reductions in federal income tax rates paid by individuals. Little would be left over for special benefits for business.

"It's too early to be nervous and too early to hyperventilate," said Phil Anderson, vice president for federal affairs at the American Council of Life Insurers.

Nonetheless, the insistence by Bush and senior administration officials that they would fight against special favors to business has taken some lobbyists aback. The corporate pressure for tax relief poses a potentially serious political dilemma for the president, as he soon may face the choice of pushing the tax package's cost much higher than he desired, or saying no to groups and individuals vital to his election.

On Monday, Bush cautioned Congress not "to load up the plan with their own vision of tax relief" and promised to defend his plan "mightily." Vice President Cheney, after a lunch with Senate Republicans, said the plan Bush sends Congress on Thursday will be the one he promoted during his campaign, despite complaints from the business community about the lack of breaks for business.

"He's been very clear and very consistent, has not deviated a bit in terms of what his intentions are and we don't plan to," Cheney said.

Corporate America pumped some $134 million of "soft money" donations into Republican coffers in the recent election, more than twice what it gave Democrats. Four major accounting companies, whose Washington tax lobbyists represent dozens of influential business clients, were among the top 20 donors of individual and political action committee contributions to Bush last year, according to the Center for Responsive Politics.

At this stage, business leaders appear prepared to be patient.

"An across-the-board reduction will stimulate the economy, put money in the hands of consumers and give a tax break to huge numbers of small businesses whose taxes are paid by individuals," said Thomas Donohue, president of the U.S. Chamber of Commerce.

But behind the scenes, in law firms and lobbying shops, business representatives have begun planning strategy, publishing advertisements in local media, and creating coalitions to push for far broader cuts, either through amendments to the president's bill or in separate legislation.

Although few champions for big new business provisions have yet emerged in the House, the Senate could be a different story, according to a number of tax lobbyists. Under Senate rules, the GOP leadership would have difficulty keeping the Bush tax package from becoming pockmarked with special-interest amendments.

"We're going to get another bite of the apple, and that's when we're going to go after what we really care about it," said Bill Miller, political director for the U.S. Chamber of Commerce.

W. Henson Moore, president of the American Forest and Paper Association, is co-chairman of a coalition pushing to reduce the corporate income tax rate to 25 percent from the current 35 percent. The cost, he said, would be "about $6 billion per year per [percentage] point."

Moore, a former House member from Louisiana, praised Bush for backing the elimination of the estate tax and the continuation of the tax credit for research and development. "Beyond that," he said, "there's really nothing in the bill for business per se."

From multinational corporations and insurance companies, to small high-tech firms and timber giants, the alignment of a Republican presidency with a GOP-controlled Congress has raised hopes that long-stalled tax provisions -- or broader-based reform of the business tax code -- are a distinct possibility.

The newly formed Cost Recovery Action Group, whose members include Advanced Micro Devices Inc. and other high-technology companies, wants Congress to allow a faster depreciation of computers and other capital equipment. Microsoft Corp. wants corporate customers to be allowed to write off software purchases as a regular business expense. Multinational companies want to revive provisions in a 1999 tax bill approved by Congress but vetoed by President Bill Clinton, which would allow them to increase their foreign tax credits through a complicated reallocation of their worldwide interest deductions. Estimates of the cost range between $25 billion and $35 billion over 10 years.

"All the players see the dollars on the table as a way to get into the process," said Henry Gutman, a former chief of staff of Congress's Joint Committee on Taxation, and now a partner at KPMG Peat Marwick. "The drop of blood is in the water."

On Thursday, Bush meets with a delegation of chief executives from a broad cross-section of business, some of whom have been primed to make their case for corporate tax cuts that go well beyond what the president has proposed.
"We're hopeful there'll be some discussion about broadening the bill to include [additional] relief for business," said Fred F. Murray, vice president of tax policy at the National Foreign Trade Council, which represents big multinational companies.

Key items on the council's agenda include giving banks and financial companies doing business abroad the same tax treatment as manufacturing firms; and easing allowances for foreign tax credits.

Council representatives have already met with staffs of the Senate Finance Committee and House Ways and Means Committee to lay out their proposals, said Murray.

Some of the proposals pushed by business would be costly enough to have a fiscal impact on the Bush plan, forcing the president to either revise his own proposal or seek more money from Congress to pay for them.
A briefing paper by the Cost Recovery Action Group estimates that its proposal for faster write-offs of high-tech equipment and other investments would cost between $280 billion and $350 billion in lost tax revenue over 10 years. That would eat up about 12 percent of the 10-year budget surplus projected recently by the Congressional Budget Office.

Washington tax lawyer Ernest Christian, who helped draft the 1981 Reagan tax cut and founded the Action Group last fall, acknowledged the proposal is expensive, but he said it would appeal to a wide segment of U.S. business and labor.
"We have a clean slate, a new era and a beginning and people can realistically talk about fixing some things that have been wrong for a long time," he said.

Congress prepares to reward oil interests

The Hill

Oil and gas interests that donated $29 million, mostly to Republicans, in last year's elections are poised to reap substantial benefits from a Senate bill wending its way through the 107th Congress.

The Department of Energy authorization bill provides subsidies and tax relief provisions worth billions to oil and gas interests. The bill, expected to be sponsored by Sen. Frank Murkowski (R-Alaska), chairman of the Senate Energy and Natural Resources Committee, will come before the committee next week.

Neither Murkowski nor committee aides would describe the specifics of the bill.

However, the extent of corporate handouts in the bill was recently disclosed when reporters obtained a copy of the 259-page document.

Among a litany of benefits to the industry, the bill would reduce royalties that companies must pay for drilling operations in the Gulf of Mexico, provide a tax credit for marginally productive wells, and subsidize failed exploration ventures.

One of the tax relief provisions alone, elimination of the Alternative Minimum Tax, could save companies several hundred millions over the next five years.

The bill would reward one of the GOP's staunchest corporate supporters. Of the $29 million in political contributions the oil and gas industry gave during the last election cycle, 78 percent, or roughly $23 million, went to Republican candidates, according to the Center for Responsive Politics.

Although other industries give more generously, they tend to split their contributions much more evenly between the two parties. The business services industry, for example, gave almost evenly to Republicans and Democrats.

Forty one Senate Republicans and 36 Democrats received contributions from oil and gas interests. But the average Republican recipient collected about $36,000 while the average Democratic recipient only got $14,000, according to Federal Election Commission (FEC) records.

Some of the biggest beneficiaries of the oil and gas industry are Republicans on the Energy Committee. Sens. Conrad Burns (Mont.) and Craig Thomas (Wyo.) received $53,000 and $48,000 respectively from donors connected to the industry in the last cycle.

Energy Chairman Murkowski received $35,000 in political action committee (PAC) contributions, which was five times more than he received from any other industry.

By comparison, Sen. Edward Kennedy (D-Mass.), the ranking member on the Health, Education and Labor Committee received $127,000 in PAC money from organized labor, five times what he received from energy groups. It is likely, had Al Gore won the White House and the Democrats taken back the Senate, the first bill out of Kennedy's committee would have benefited labor and cost corporations billions.

But George W. Bush's victory helped cement relations between oil companies and Senate Republicans.
Bush named Ken Lay, the former CEO of Enron, one of the nation's biggest power marketers, as one of his top energy advisers.

Former Sen. Spencer Abraham (R-Mich.), who Bush appointed as the secretary of energy, received more campaign contributions from the energy industry than any other member of Congress since 1993, about $500,000.

The administration is helping to shape energy bills that come out of the Senate. Murkowski met with administration officials at the White House Tuesday, according to his spokesman Chuck Kleeschulte.

At a fundraising event in September, now-Vice President Dick Cheney raised $8 million from oil company executives for Republican Senate candidates.

The event was co-chaired by oil executives like William Wise, CEO of El Paso Energy, and Lod Cook, former ARCO chairman, who each raised over $100,000 for the event.

But most fundraising events that involve politicians and industry heavyweights go unnoticed by the public.

"[The oil industry] is similar to the tobacco industry in that there can be a risk for a public official to associate closely with them," said Steven Weiss of the Center for Responsive Politics. "If you're in an area that's being beset by fast-increasing prices, oil and gas companies might not be the most popular."

Republicans in the Senate defend their support of the oil industry.

Sen. Peter Fitzgerald (R-Ill.), a member of the Energy Committee who received $20,000 in PAC contributions from energy groups, said the oil industry doesn’t have disproportionate influence in the Senate.

“I think they’re counterbalanced by other interests,” said Fitzgerald, who added that the strength of oil interests was due more to the fact that key senators are from oil-producing states.

And some lawmakers defend the handouts as necessary, citing the country’s dependence on foreign oil.

“We’re not developing our resources,” said Sen. Orrin Hatch (R-Utah). “There’s a lack of facilities and distribution.” But, even as the country is facing a possible energy crisis, some oil companies are posting record profits.

Exxon Mobil made a record profit of $17.7 billion in 2000, a 125 percent increase from 1999, and Chevron earned $5.2 billion in profit, 150 percent more than its margin last year.

The Energy Committee’s bill probably will not be the only oil industry legislation to come out of the Senate this year. Sen. Lincoln Chafee (R-R.I.), said he may team up with Sen. Kay Bailey Hutchison (R-Texas) to introduce legislation that would provide financial incentives to domestic oil producers during a glut.

“It’s in our national interest to make sure domestic producers can keep their wells on line,” he said. Chafee said he would discuss a timetable for the legislation with Hutchison.

Hutchison received $146,000 in contributions from oil interests during the last cycle.

Bush energy plan: Return to oilfields

The Christian Science Monitor
As former oilman and now-President George W. Bush prepares to lay out a comprehensivenational energy policy, he's set to inaugurate a whole new era in America's thinking about energy.

His plan to shift Uncle Sam's energy emphasis - from protecting land to encouraging exploration for fossil fuels - will pave the way for a controversial frenzy of new oil and gas drilling on a scale not seen since the 1950s. It may also give fresh impulse to less-contentious ideas, too - such as energy accords with Mexico and Canada and a natural-gas pipeline stretching from Alaska to the lower 48.

Bush's plan - accompanied by public worries that a California-style energy crisis could sweep the nation - is already sparking an energy debate that recalls the oil-crisis years of the 1970s. On one side are the pro-exploration forces, now with the power of the administration behind them, arguing that Americans cannot expect a continuation of low energy bills unless they open up more land - and even permit power plants and pipelines through their "backyards." On the other is an environmental ethic, far more internalized now than in the 1970s, whose representatives warn that lower energy prices may not be worth the possibly exorbitant environmental costs.

"The last time we had a major opening of a frontier for oil and gas exploration was in the Eisenhower administration," says James Osten, chief energy economist at Standard & Poor's DRI. Historically, that's "the closest thing on the scale of what's being proposed now."

Bush's energy blueprint - which Vice President Cheney is now charged with turning into full-fledged policy - calls for spending $7.1 billion over 10 years to promote oil and natural gas development through tax incentives and other tools.

It would grant waivers to states to run older power plants at peak capacity - despite the potential for violating clean-air standards. It would ease restrictions on drilling in parts of Alaska's 1.5 million-acre Arctic National Wildlife Refuge. And it would reverse a trend of emphasizing clean-burning natural gas and encourage production of all energy sources, including coal, though Bush would fund development of "clean coal" technologies.

Administration officials say they'll look into overturning 11th-hour moves by President Clinton to block development in vast tracts of Western lands - although in some cases that process could take up to two years.
Indeed, Washington's role in energy production can be enormous for one single reason - the amount of land it controls. In all, 60 percent of the nation's untapped crude-oil reserves and 52.4 percent of its natural-gas reserves are on federal lands, says David Morehouse of the Energy Information Administration here. In Alaska, those numbers jump even higher: to 86 percent for crude oil and 62.2 percent for natural gas.

That's why Bush says opening ANWR is an important part of energy development. Yet to do so, he must get congressional approval, which could be hard, given environmentalists' passion for blocking the idea. They say it will sully "America's Serengeti" and harm its many plant and animal species.

Continental free-flow

One less-controversial idea is a natural-gas pipeline from Alaska. Several groups have scouted out routes, including one that would run underground, thus risking less environmental damage. Also, deals with Canada and Mexico would alleviate energy shortages by enabling free flow of power on the continent.

Also, the Rocky Mountains are expected to be a less-controversial source for natural gas - and in fact may soon beat out Texas as the nation’s main source for it. National demand for gas is expected to rise 30 percent - as nearly all of the electricity generating plants now under construction rely on it.

’Energy has to come from somewhere’

As for the national energy debate, Bush "can do a lot by refocusing the discussion on supply," says Linda Stuntz, a deputy energy secretary in the first Bush administration. "We’re doing a good job poking holes where we’re allowed to," she says, "but without increased access, we won’t be able to keep up with demand." After all, "it has to come from somewhere."

Advocates of more access say the public can’t have it both ways. A poll by the Associated Press hints at the public’s often-contradictory attitudes toward energy. Sixty percent of respondents said they were worried about energy problems such as those in California, yet just 33 percent favored opening ANWR.

Environmentalists, too, argue that the public can’t have it both ways. There are drastic environmental consequences to drilling widely, they say, in the name of cheap pump prices and electric bills.

Yet there is a history of compromise and moderation between drilling and conservation - even by Republican presidents. President Nixon, for instance, created the Environmental Protection Agency. And President Bush backed the Rio climate-control treaty. "In four short years," says Nancy Kete of the World Resources Institute, referring to the first President Bush, "the last Republican president supported and was party to very significant progress on climate control."

Missile Defense Test Planned

Associated Press

WASHINGTON (AP) -- A Bush administration offer to help European allies field their own defense against missile attack reflects ideas in a little-noticed report outlining ways to overcome skepticism abroad over U.S. missile defense plans.

The policy paper, published last September by the private Atlantic Council of the United States, was co-authored by Stephen Cambone, now a close adviser to Defense Secretary Donald H. Rumsfeld, and Stephen J. Hadley, the deputy national security adviser to President Bush.

Most European allies, and Canada as well, have expressed reservations about a U.S. national missile defense, in part because it could mean the demise of the 1972 Anti-Ballistic Missile treaty, which Rumsfeld considers outmoded but which the Europeans see as a cornerstone of global security.

At a European security conference last Saturday in Germany, Rumsfeld sought to ease European concerns about U.S. national missile defense. He said the administration is prepared to ‘‘assist friends and allies threatened by missile attack to deploy such defenses.” He did not elaborate.

In the Atlantic Council report, Cambone and Hadley said interviews with a broad range of European officials made clear ‘‘there is a growing recognition” that as the threat of ballistic missiles spreads this decade ‘‘the case for a more robust missile defense capability of Europe will become more compelling.”

Europeans doubt, however, that the United States is willing to exchange enough missile defense technology with European governments to enable them to build a defensive shield of their own, the report said.

In an assessment that Rumsfeld apparently shares, the report said that while the Europeans see ballistic missiles as less of an immediate threat to the United States and to Europe than the Americans do, ‘‘the dynamic is towards a narrowing of that gap and towards a greater similarity of views” on missile defense.

It recommended a fuller and deeper consultation with the Europeans on missile defense – exactly the approach Rumsfeld and the Bush administration are taking. Secretary of State Colin Powell, for example, discussed the matter Tuesday with British Foreign Secretary Robin Cook. Rumsfeld last week consulted with many European officials, including his Italian, French, British and German counterparts, last Saturday.

Cambone, the report's principal author, has been a behind-the-scenes adviser to Rumsfeld since he took office Jan. 20. Last year, Cambone headed the staff of an advisory commission on U.S. national security interests in space, and in 1998 he held the same role on a commission that assessed ballistic missile threats to the United States. Rumsfeld was chairman of both commissions.

Bush's national security team has not yet decided what kind of missile defense to pursue, although the Pentagon office in charge of the project is preparing to test a critical new component as early as next month.
The Pentagon's Ballistic Missile Defense Organization also is planning another attempt to shoot down a mock nuclear missile in space, probably in May or June, using the same technologies that produced a spectacular failure last July, officials said Tuesday. Two of the last three attempted missile intercepts failed.

Pentagon spokesman Rear Adm. Craig Quigley said Rumsfeld has met three times with Ronald Kadish, the Air Force general who runs the missile defense office. Rumsfeld gave Kadish no indication he should change direction.

''His guidance to General Kadish is, 'press on,''' Quigley said.

Among the administration's options are to supplement a ground-based missile defense system -- as is currently in testing -- with a sea-based system which could provide wider coverage but will take longer to deploy. The ground-based system, as foreseen by the Clinton administration, would protect all 50 U.S. states against a small-scale attack by missiles with relatively unsophisticated decoys.

Kadish's office is preparing for the first flight test of a prototype for the rocket boosters that would be based in Alaska and would carry aloft the warhead-busting ''kill vehicle,'' which is designed to find its missile target in space and destroy the target by slamming into it at high speed.

Up to now the Pentagon has been using an older booster as a stand-in for the one being developed by Alliant Techsystems and Orbus.

Senate Unanimously Confirms Zoellick As U.S. Trade Rep

CongressDaily

The Senate endorsed Robert Zoellick by a 98-0 vote as U.S. trade representative Tuesday, after making clear their dissatisfaction with the country's current trade policies.

Some senators contended that labor and environmental issues are not given due consideration in trade negotiations, and unfair trade practices by America's trading partners are crippling U.S. farm, steel and lumber industries.

Beyond the issues raised, there was no questioning of Zoellick's qualifications to be the nation's trade negotiator. Zoellick, 47, was a top economic adviser on economic matters in the Reagan and Bush administrations. He served as issues director for former President Bush's 1988 presidential campaign.

On the Editorial Pages on February 7, 2001

Taxing My Patience

By MAUREEN DOWD

WASHINGTON — At first, I had separation anxiety.

I missed all the chaos and intrigue, the lies and cover-ups and sweet talk and reconciliations and razzmatazz.
I stalked my ex. I couldn't help myself.

I drove up to Chappaqua and stood around for hours in the cold and slush of Bill's driveway. I bought a box of Pepperidge Farm Double Chocolate Chunk cookies at his favorite deli, hoping the aroma would lure him out of the house.
Bill still had trouble written all over him. I still wanted to cover a guy who had trouble written all over him.
I wasn't ready for Junior. I wasn't looking forward to a lot of towel-snapping bonhomie, punctuality and discipline from the West Wing, and peace and quiet from the East Wing.

The future was looking depressingly like the past. Washington smells of mothballs — a tax cut, recession fears, a Star Wars shield, energy woes, abortion curbs, Christian righteousness, a rumor of war in the Middle East, the trio of Bush, Powell and Cheney saber-rattling at Saddam.

In this week of birthday homages to the Gipper, W. even resumed a Reaganesque theme-of-the-week to hawk a Reaganesque tax cut.

As Bill flew off to the Boca sunshine, I slunk back to rainy D.C. to face the music.

W. was busy peddling his tax cut with a lot of photo ops featuring working-class families.

To hear the Bush rhetoric, the tax cut was all about helping poor single waitress moms, grannies who can't pay their heating bills, lower-middle-class families that are maxing out credit cards for their kids' medical bills, and small businesses owned by women.

On Monday, President Bush made like the host of a game show and displayed a big blown-up check made out to "U.S. Taxpayer" for $1,600, the average benefit that he says the average family with two children would receive. He introduced three average families that would get anywhere from $1,055 to $3,266 in savings from his plan.
On Tuesday Mr. Bush went to McLean, Va., to visit an adorable store, Tree Top Toys and Books, and make the pitch that his tax plan would create capital so that other adorable businesses like this one, and trail- blazing female entrepreneurs like its owner, could thrive.

Today the president planned to have a reunion with the "tax families," as the families used as props on airport tarmacs during his campaign were called. At the White House he will be welcoming Tammy, a waitress at the Pit Stop Emporium; Ken, a repairman at Bennett's Garage; Joseph, a manager at Aldi Foods; Denise, a stay-at-home mom; and Michael, a driver for U.P.S.

I seem to recall President Bush vowing to restore integrity and honesty to Washington. Then shouldn't his photo ops this week have been a whole lot different?

On Monday he could have gathered Jack Welch, Bill Gates and Kenneth Lay, the chairman of Enron Energy Corporation, one of W.'s biggest corporate contributors.

The president could have brandished a blown-up check made out to "U.S. Fatcats" for $160,000 and come clean about who will make out like bandits, courtesy of his bill: not the blue-collar crowd but the golden- parachute crowd, that elite 1 percentile that will get 40 percent of the cut.

Dick Cheney, lately of Halliburton, and Paul O'Neill, lately of Alcoa, could have been on hand to share inside tips about tax shelters, trust funds and stock option packages to defer income.

All the moguls' progeny could have smiled for the camera, since, if the Bush tax cut passes, they won't have to pay any of those niggling inheritance taxes on their parents' estates.

On Tuesday, instead of going to a toy store the president would have headed to the nearest Lexus dealership to show the sort of toys the wealthiest Americans could buy with their humongous tax cuts.

Today, instead of a reunion of his tax families, he could have gathered the fur-clad and Gulfstream-riding Pioneers, the rich Republicans who pumped $90 million, the biggest fundraising haul in history, into W.'s campaign, hoping for a tax windfall.

Lastly, in the spirit of bipartisanship, W. could have ushered out to the cameras a new millionaire who could use a good tax cut now that he's raking in $100,000 a pop for his speeches: my ex.

Bad Reason to Rush Missile Plan

Los Angeles Times

America's European allies remain properly skeptical about a national missile defense system for the United States, fearing it would wipe out key arms control agreements and prompt Russia and China to build more and more missiles to try to keep their strategic forces credible. But the Bush administration is determined to make a swift start on a system, partly because it's eager to have a foundation in place before the 2002 elections, when control of Congress could pass to the Democrats.

That's not the soundest of reasons for hurrying into a commitment whose ultimate costs could exceed $60 billion and whose international consequences could be enormously troubling. It doesn't help either that the administration seems ready to plunge ahead without a consensus among missile defense proponents on what kind of system to build. The Clinton administration's plan was for a force of 100 interceptor missiles based in Alaska. Republicans have criticized that as inadequate to the threat they perceive, even though the original rationale for an antimissile system was to defend against a small-scale attack from a rogue state or--even more implausibly--from terrorists. Support for building a larger system implies a belief that the threat is much greater, meaning that it could come from Russia or China.

The effectiveness of even a limited land-based system--most critically the ability of a "kill vehicle" released from an interceptor rocket to identify, strike and destroy an incoming warhead--has yet to be proven. Not only must a kill vehicle be able to score a direct hit on a warhead but it must be able to distinguish between a true warhead and the decoys that would surely be released. The proposal for a sea-based system hinges in part on adapting and improving existing technologies, which would probably take more than a decade to achieve. An effective space-based system for destroying incoming warheads--"Star Wars" redux--is even more technologically remote.

The most wasteful approach would be investing money to proceed along all three tracks at once. The Clinton administration budgeted $2.8 billion for continued work on an antimissile system. Given the state of the technology, that's adequate for now. Until there's proof that a system will work, no grand commitment to building one should be made.

What you see is not what you get with George W.

By MOLLY IVINS

AUSTIN -- For terrific entertainment, watch the Washington press corps swoon over George W. Bush. The famous charm offensive (he's calling congressmen by cute nicknames, like "Big George") has the chatting classes producing the most priceless gushing heard since Newt Gingrich best rode the political world like a colossus.

The more alert among them have noticed that the policies don't seem to quite perfectly reflect the charm offensive. Welcome to Dubya's World's: Bush is a walking definition of cognitive dissonance -- what you see is not what you get. Frank Rich of The New York Times noted that in his relentless photo ops, Bush has "surely posed with more black Americans than voted for him." As Texans know, the eternal Bush photo op of the man posing yet again with small children of minority persuasion is always stepped up just before he does something awful. Like trying to knock 200,000 poor kids off a federal medical insurance program. This is compassionate conservatism.

Several of the swifter students in D.C. have questioned Bush's executive order reinstituting the Reagan gag rule on women's health clinics abroad, pointing out that the only consequence of this policy is to increase the number of abortions, as more women are unable to get contraceptives.

The question arises: Do we think Bush realizes this and did it anyway to pay off the religious right, or do we think he doesn't get it? And the answer, as always with Bush, is ... it's hard to tell.

No one has ever been able to figure out if he understands the consequences of his policies. Or, as is frequently the case, if he knows his policies are having contradictory results.

One of the funniest weekend thumb-suckers was by Richard Berke in The New York Times, announcing to an astonished world that there are some Democrats who are still angry about the election. Imagine! Berke reports with a straight face, "This fury can be hard to detect in Washington, where, Mr. Ashcroft aside, every day brings more images of cheery Democrats embracing Mr. Bush."

The non-cheery Democrats include Susan Albach of Dallas, who is in the ranks of those who are Not Handling This Well.

"Are you in anger or depression?" I inquired.

"I'm still in denial," she announced firmly.

The really smart folks in Washington are those keeping an eye on the numbers -- how big is this tax cut, already at $2 trillion, going to get once the corporate lobbyists start porking out on it, and what's left for anything else? The profoundly dumb people in Washington are going around saying, "Recessions are good for you."

I love this line of argument, especially from pundits who make more than $1 million a year. Yes, they gravely opine, recessions are part of the business cycle (these are the same people who were saying until last month that we were in a New Economy and could look forward to perpetual growth), and furthermore, they are morally good for us. They cure irrational exuberance and hubris.

No one can deny that irrational exuberance and hubris have abounded in recent years, but that’s not who gets punished by recessions. Last hired, first fired.

The working people who never got ahead at all in the ’90s are the very ones who will be losing their jobs now, and the fatuous complacency with which the prospect is being greeted is another example of a disconnect so enormous that it’s funny.

Sort of. But then, to quote Berke again, "This fury can be hard to detect in Washington."